

How to plan your budget

Let's start by looking at your life — the things you need and the things you want.



Why can't I just use your budget, Thobs?

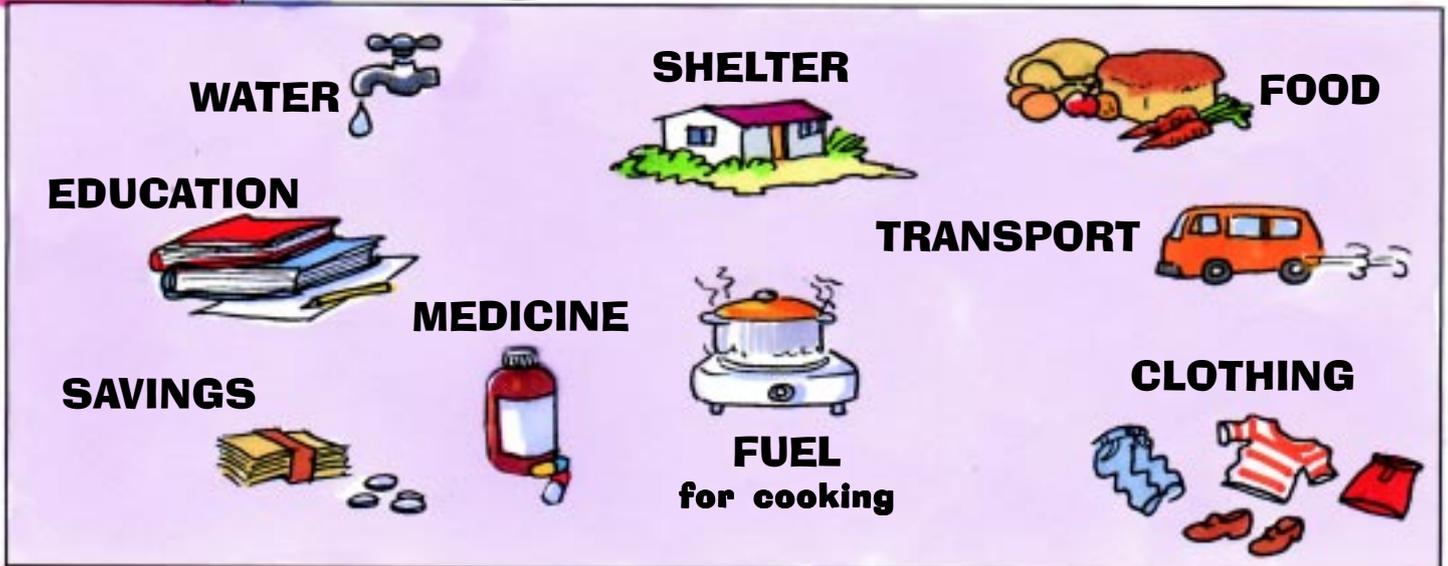
Your budget will be different from anyone else's.

That is because your needs and wants are not exactly the same as mine — or anyone else's! Each person or family's needs and wants are a bit different. For example, you are a single parent with a child — I have a partner, but no children. And we do not have the same money to spend! Some people do not even have a regular income.



What are the things that you need in life?

Things we need



Our needs are the things we cannot do without. We must make sure we have money to pay for these things every month first.



Sit down with your family and make your list. Write down everything you can think of!

Things we want

We don't only have needs. We also have wants. These are things that we would like to have, but we can do without.



LUXURY FOODS



chocolates, chips, soft drinks, alcohol

TV



CAR



SMART CLOTHES



TAKE-AWAYS



CIGARETTES



We *all* want things.

There is nothing wrong with wanting things.

And there is nothing wrong with buying the things we want —

- IF we can afford them
 - IF we have paid for all our needs and our families' needs.
- But we must look after our needs first!



Many people run into difficulties because they spend their money on their wants before they have paid for their needs.

Some people only earn money for **part of the year**, like fruit pickers. Some earn a **different amount every month**. They have to think about their needs in the **bad times** ahead as well.



Make a list of your family's wants. Let everyone take part!

MONEY MANAGEMENT

Rule number 1

**First pay for the things you need.
Then buy the things you want, if you can afford it.**



OK, Thobs. I have written down the things that we need and the things that we want. What's next?

The next step is to **work out a budget or plan**. Remember the one I showed you? But this one will be for **your family**.



Your lists of needs and wants will help you see **where** you can spend less money to help you get out of trouble — or avoid getting into it!

Right. Let's do **my** budget! Where do I begin?

Let's look at Thobelo's budget again.



A budget can be divided into **five parts**:

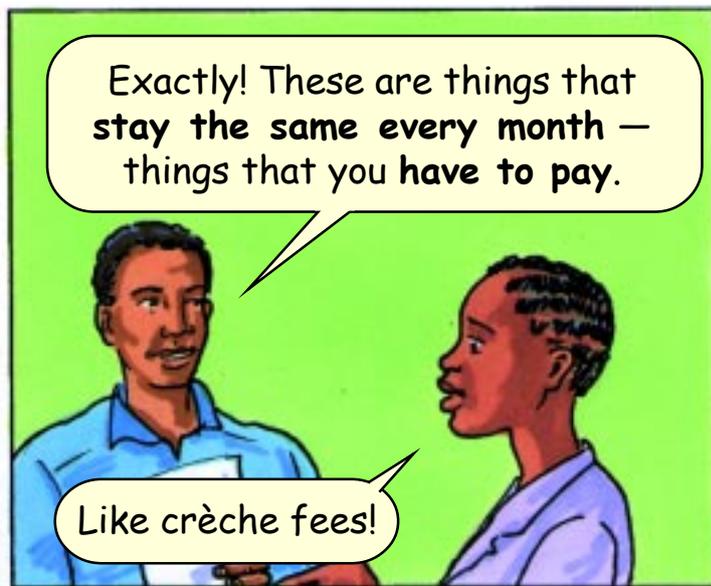
1. **fixed costs or expenses**
2. **changing costs or expenses**
3. **total costs or expenses for the month**
4. **total income for the month**
5. **money left to spend OR amount still needed (shortfall)**



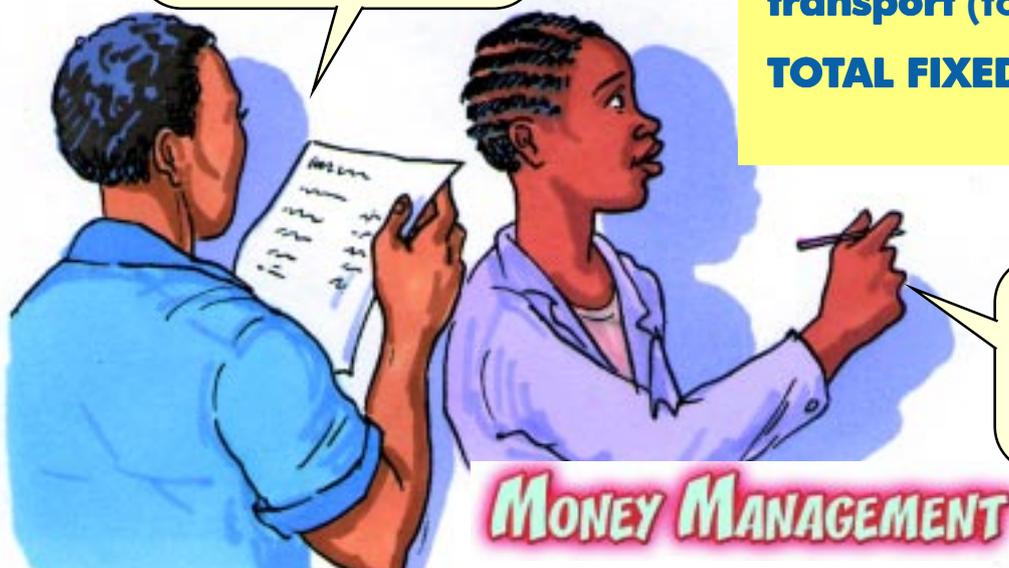
THOBELO'S BUDGET	
<u>FIXED COSTS</u>	
rent	R 350
insurance policy	R 50
car repayment	R 100
savings	<u>R 50</u>
TOTAL FIXED COSTS	R 550
<u>CHANGING COSTS</u>	
debt: furniture shop	R 100
groceries	R 260
electricity	R 60
telephone	R 60
petrol/repairs	R 100
toiletries	R 60
entertainment	R 60
medicine	<u>R 40</u>
TOTAL CHANGING COSTS	R 740
TOTAL COSTS	R1 290
TOTAL INCOME	<u>R1 450</u>
LEFT TO SPEND	R160

How to draw up a budget

Step 1: Fixed costs



Write down all your **fixed costs**.
Add them up and **write down the total**.



Vicky's Budget

FIXED COSTS

rent	R200
money for mother	R100
crèche fees	R50
transport (to and from work)	R90
TOTAL FIXED COSTS	R440

I'm starting to understand how a budget helps you stay out of trouble!

Rule number 2
Write down your monthly budget and *stick to it*.

Step 2: Changing (variable) costs

Changing or variable costs are things that you usually pay or buy every month, but the *amount changes* from month to month. Below “fixed costs”, write down what you think your *changing costs* will be. Don't forget to add them up.

Step 3: Total costs

Add the *total for fixed costs* and the *total for changing costs* together. Write down the answer.

Step 4: Total income

This is the amount of *money you have available to spend* each month.

Step 5: Money left over OR still needed (shortfall)

Subtract the smaller amount from the bigger amount.

If *costs are bigger*, you are *spending more money* than you have. If *income is bigger*, you have *money left over!*



It will make it easier to work out your different costs if you write down everything as you spend. **Keep a record.** It will help you to do your budget properly.



Vicky's Budget

FIXED COSTS

rent	R200
money for mother	R100
crèche fees	R 50
transport (to and from work)	<u>R 90</u>
TOTAL FIXED COSTS	<u>R440</u>

CHANGING COSTS

debt: Edwards	R 60
furniture shop	R110
lay-by	R 50
microlender	R 50
groceries	R300
electricity	R 50
telephone	R 55
toiletries/cosmetics	R 70
take-aways etc.	<u>R 30</u>
TOTAL CHANGING COSTS	<u>R775</u>

TOTAL COSTS	R1 215
TOTAL INCOME	<u>R1 100</u>

<u>STILL NEEDED</u>	R115
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I have money left over to spend or to save. That is because my income is more than my expenses. Do you know why you ended up with too little to pay for everything?



Yes, Thobs. I've spent more money than I have! I am in debt! What am I going to do?

How a budget helps you

You can see that you need to **cut down** on what you are spending — your costs!

But **everything** in my budget is **important!** So how can I cut down?

This is where you will find the lists you made useful.



Look at your budget. **Tick off** the things you put on your "**needs**" list — those things you can't do without!



The things that are left are the things you can try to cut down on. Start with the things that you "**want**" — they are not essential — like the furniture account. When you have paid it off, **close the account!** That will save you R110 a month. And you can do without take-aways. That's another R30.

I see what you mean. I think maybe I could spend a bit less on groceries too. And only phone my friends after 8 p.m. and on Sundays.



Good idea! That's the right attitude! I can see that you are on your way to better budgeting already.

Vicky's Budget

FIXED COSTS:

rent	R200
money for mother	R100
crèche fees	R 50
transport (to and from work)	<u>R 90</u>
TOTAL FIXED COSTS	R440

CHANGING COSTS:

debt: Edwards (clothes)	R 60
furniture shop	R110
lay-by	R 50
microlender	R 50
groceries	R300
electricity	R 50
telephone	R 55
toiletries/cosmetics	R 70
take-aways etc.	<u>R 30</u>
TOTAL CHANGING COSTS	R775

TOTAL COSTS	R1 215
TOTAL INCOME	<u>R1 100</u>

STILL NEEDED	R115
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It may take a few months, but if you follow Vicky's example, you can take control of your money — and sleep well at night!